



**Billing Code: 4210-67**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5613-N-10]**

**Privacy Act of 1974; Home Equity Reverse Mortgage Information Technology (HERMIT)**

**- - Notice of Modification to, and Deletion of HUD/HS-10, Home Equity Conversion**

**Mortgage System**

**AGENCY:** Office of the Chief Information Officer.

**ACTION:** Notification of Modification to, and Deletion of Existing system of records notification.

**SUMMARY:** Pursuant to the provision of the Privacy Act of 1974, as amended ( 5 U.S.C. § 552a), the Department of Housing and Urban Development (HUD) is providing notice of its intent to modify and delete one of its system of records notifications, the HUD/HS-10, Home Equity Conversion Mortgage (HECM) system. HUD/HS-10, HECM is being modified and replaced by the new HECM program system, Home Equity Reverse Mortgage Information Technology (HERMIT). The modifications for the existing system of records notification will reflect clarification of system activities which result in minor changes to the existing system of records notification: Categories of Individuals covered by the system (including categories of users and purposes of such users); Categories of Records covered by the system (and in the system); Purposes of the system; New system record locations, New naming convention for system, Routine uses category assigned (and purpose of such uses). All revisions are conducted to reflect the present status of the information contained in the system. The HERMIT system will allow Housing to consolidate many of the HECM program activities and improve the effectiveness of the program. The present state of the system is clarified in the supplementary

and purpose information section. The scope and/or business objectives of the Home Equity Conversion Mortgage Program remain unchanged. The HUD/HS-10, HECM system of records notification will be obsolete upon publication of this notice.

**DATES:**

**EFFECTIVE DATE:** This proposal shall become effective, without further notice, **[Insert 30 days upon publication of this notice in the Federal Register]**, unless comments are received during or before this period which would result in a contrary determination.

**COMMENTS DUE DATE:** **[Insert 30 days upon publication of this notice in the Federal Register]**.

**ADDRESSES:** Interested persons are invited to submit comments regarding this notice to the Rules Docket Clerk, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-3000.

Communications should refer to the above docket number and title. FAX comments are not acceptable. A copy of each communication submitted will be available for public inspection and copying between 8:00 am and 5:00 pm weekdays at the above address.

**FOR FURTHER INFORMATION CONTACT:** Inquiries pertaining to Privacy Act records, contact Donna Robinson-Staton, Chief Privacy Officer, telephone number (202) 402-8073, 451 Seventh Street SW, Washington, DC 20410 (Attention: Capitol View Building, 4<sup>th</sup> Floor) [The above telephone numbers are not toll free numbers.] A telecommunications device for hearing- and speech-impaired persons (TTY) is available by calling the Federal Information Relay Service's toll-free telephone number (800) 877-8339.

**SUPPLEMENTARY INFORMATION:** Pursuant to the Privacy Act of 1974 (5 U.S.C. § 552a), Pursuant to the Privacy Act of 1974 (5 U.S.C. § 552a), as amended, notice is given that HUD proposes to modify an existing system of records, the HUD/HS-10, Home Equity

Conversion Mortgage system. This notice provide a summary of the modified system of records. The system will be identified by a new naming convention "HSG/HWAT.01 that has been established by the Department to refer to a program component system. The system of records is revising its routine use category to balance the privacy interests of those entities requiring access to system records to allow HUD's Federal Housing Administration (FHA) to carry out its HECM program activities. The system also refines its sections for category of individual, and category of records to provide clarification of the types of records collected and maintained by the system. Additionally, the system contains personally identifiable information received from mortgagees and housing counseling agencies approved to administer FHA HECM program requirements. The information in the system includes (but is not limited to) individual level data regarding borrowers who participate in the HECM program: name, title, property addresses, birthdates, Social Security Numbers, phone numbers and (dates of death, when applicable). In addition the information in the system includes (but is not limited to) business level data regarding the mortgagee that administers FHA HECM loans: banking information, Tax Identification Number, routing and accounts numbers, mortgagee reference number, and accounting data. The HERMIT system is expected to improve the overall effectiveness of the program operations by providing comprehensive insurance servicing, claims payments, notice servicing, accounting and reporting functionalities. The report of the system of records modification/deletion was submitted to the Office of Management and Budget (OMB), the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Government Reform pursuant to Paragraph 4c of Appendix I to OMB Circular No. A-130, "Federal Agencies Responsibilities

for Maintaining Records About Individuals," July 25, 1994 (59 FR 37914).

**Authority:** 5 U.S.C. 552a; 88 Stat. 1896; 42 U.S.C. 3535(d).

September 13, 2012

Dated

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Kevin Cooke  
Deputy Chief Information Officer.

**[Docket No. FR-5613-N-10]**

## **HSG/HWAT.01**

**System Name:** Home Equity Reverse Mortgage Information Technology (HERMIT)

Service Provider formerly HUD/HS-10, Home Equity Conversion System

**System Location:** External hosting location at the following address: 21701 Filigree Ct., Building D, Ashburn, VA 20147; Housing and Urban Development (HUD) workstations at 451 Seventh Street SW, Washington, DC 20410; HUD National Servicing Center 2 West 2nd Street, Suite 400, Tulsa, OK 74103; HUD Atlanta Homeownership Center, Five Points Plaza 40 Marietta Street, Atlanta, GA 30303-2806; HUD Philadelphia Homeownership Center, The Wanamaker Building, 100 Penn Square East, Philadelphia, PA 19107-3389; HUD Denver Homeownership Center Processing & Underwriting - 20th FL 1670 Broadway Denver, CO. 80202; Santa Ana Homeownership Center, Santa Ana Federal Building, 34 Civic Center Plaza, Room 7015, Santa Ana, CA 92701-4003.

**Categories of individuals covered by the system:** HECM mortgagees and HECM mortgagors for Home Equity Conversion Mortgages insured under HUD's HECM mortgage insurance program, and FHA-Approved Housing Counselors who participate in the HECM program.

**Categories of records in the system:** The categories of records in the HERMIT system are as follows:

**1) Insurance-in-Force (IIF)/Premiums:** HECM insurance-in-force and premium records which include PII data pertaining borrowers' full names, property addresses, birthdates, Social Security Numbers, phone numbers and dates of death; case-level details on the HECM housing counseling certificate, Maximum Claim Amount (MCA), property appraised values, initial and monthly mortgage insurance premiums (IMIP & MMIP), set asides, note interest rates

and expected interest rates and case statuses and sub-case statuses; payment plan types, and other financial account data such as Principal Limits, monthly interest accruals, late charge and interest charge fees, historical transaction records for HECM cases, property taxes and hazard insurance amounts, business partners' banking information (routing and account numbers); and accounting data including accounts receivable and payable due to and from HUD.

**2) HECM Claims:** Borrowers' names, addresses, social security numbers; maximum claim amount, due and payable approvals; death notifications, deed-in-lieu; foreclosure actions, extension approvals, interest rates and account statuses; payment and other financial account data such as unpaid loan balances, interest accrued, service fees, expenses incurred for foreclosure and acquisition, protection and preservation, attorney fees, special assessments; disbursements for taxes, insurance, utilities, eviction fees, and any other miscellaneous disbursements; MIP, appraisals, closing costs; claims filed and paid; indemnifications and claim blocks; business partner banking information (Tax Identification Number, routing and account numbers), mortgagee reference number; accounting data including established accounts receivables and payables; and information for reporting and assumption of servicing activities in cases of investor claim or default.

**3) HECM Loan Servicing:** Borrowers' and authorized contacts' names and addresses, birthdates, age, Social Security Numbers, phone numbers; e-mail addresses; marital status, gender, preferred language, banking information (institutional information, routing, account numbers and account type) maximum loan amounts, premium collection, interest rates and account statuses; payment and other financial account data such as loan balance, loan history, interest accrued, fees incurred, claims filed and paid, real estate property information, property taxes and insurance amounts, accounting data including debits and credits to HUD accounts

based on transaction events, vendor information; and information for reporting and assuming servicing activities in case of servicer or investor claim or default.

**Authority for maintenance of the system:** Section 255 of the National Housing Act of 1934 authorizes the FHA reverse mortgage program for the elderly, the Home Equity Conversion Mortgage (HECM) program (12 U.S.C.1715Z-20). The Housing and Community Development Act of 1987 (42 U.S.C. 3543 - Sec. 3543) specifically provides authority to collect Social Security Numbers.

**Purposes:** HERMIT provides FHA with a comprehensive service that integrates and automates five operations of the HECM program (insurance servicing; claims payment; notes servicing, accounting, and reporting). The HECM program promotes continued homeownership for the elderly by allowing elderly borrowers to access the equity in their homes while continuing to live in the property. HERMIT allows the Secretary to maintain the “public trust” over the HECM program by seamlessly, accurately and timely managing the HECM program in an automated environment. HERMIT allows HECM program personnel to collect and maintain the data necessary to support activities related to the endorsement of loans, including collection of initial and monthly premiums. The claims process includes the filing of claims for insurance benefits and disbursement of funds to lenders of loans insured under the HECM program. Servicing activities include maintaining the data necessary to support performance requirements of servicing for FHA insured and Secretary-held first and second mortgages. The major activities include acceptance of assignment and title review, servicing requests for HECM endorsed cases from Mortgagees (due and payable, short sale, over-allowables for preservation and protection costs, subordination extension requests and partial releases), accounting functions, collections according to the Fair Debt Collection Practices Act, disbursement of payment, annual

recertification, foreclosure activities, bankruptcy activities, and compliance monitoring. The new HERMIT replacement system will permit HECM mortgagees to: (1) Interact with one, integrated HUD HECM system; (2) Interact with HUD's National Servicing Center (NSC) through a new, automated workflow process; and, (3) Replace manual claims filing processes with an online, automated claims filing procedure.

**Routine uses of records maintained in the system, including categories of users and the purposes of such uses:** In addition to those disclosures generally permitted under subsection (b) of the Privacy Act of 1974, 5 U.S.C. 522a(b), other routine uses are as follows:

1) To servicing mortgagee to give notice of miscalculations or other errors in subsidy computation, to pay claims, or for other servicing-related functions.

2) To taxing authorities, insurance companies, homeowners associations or condominium associations for maintaining the property while HUD is the servicer of record to ensure property taxes are current.

3) To the U.S. Department of the Treasury for collection and disbursement transactions (Pay.gov, ACH and check).

4) To title insurance companies or financial institutions to allow HUD to respond to inquiries for payoff figures on HECM assigned loans.

5) To recorders' offices for recording legal documents and responses to bankruptcy courts or other legal responses required during the servicing of the insured loan to allow HUD to release mortgage liens, respond to bankruptcies or deaths of mortgagors to protect the interest of the Secretary of HUD.

6) To the Federal Bureau of Investigation (FBI) to investigate possible fraud revealed in the course of servicing efforts to allow HUD to protect the interest of the Secretary.



7) To an Administrative Law Judge and to the interested parties to the extent necessary for conducting administrative proceedings where HUD is a party.

8) To welfare agencies for fraud investigation to allow HUD to respond to state government inquiries when a HECM mortgagor is committed to a nursing home.

*See also on HUD's privacy website, Appendix I for discretionary routine uses that may be applicable to this system of records.*

**Policies and practices for storing, retrieving, accessing, retaining, and disposing of records in the system:**

**Storage:** Electronic files are stored in case files on servers and backup files are stored on tapes. Electronic files are replicated at a disaster recovery offsite location in case of loss of computing capability or other emergency at the primary facility. HERMIT has no hard "Paper" copies.

**Safeguards:** Access to electronic records are granted by user ID and password to users who have a need to know such records. In addition to the safeguards provided by access controls all electronic data is encrypted while stored on any systems media within HERMIT or in any transport mode. Servers are contained in a secured facility with 24x7 security guards including electronic access and surveillance capabilities (CCTV and recorders, motion detectors, hand geometry readers, fiber vault) at an offsite location. HERMIT has no hard "Paper" copies.

**Retrievability:** Name, SSN, identification number, home telephone number, personal email address, FHA Case Number and Mortgagee TIN.

**Retention and Disposal:** Records are held in accordance with HUD's Records Disposition Schedules Handbook (2225.6) Appendix 20(Single Family Home Mortgage Insurance Program Records) and Appendix 21(Financial Management Information Systems).

Paper records are not in use. Electronic records are held consistent with standards for paper records. Archival tape media is kept for 7 years and the tapes are in rotation. Tapes that are faulty and need to be disposed of follow HUD's IT Security Handbook (2400.25), pursuant to NIST SP 800-88 guidelines section 2.1.

**System Managers and Address:** Director, Office of Housing Finance and Budget;  
Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC  
20410.

**Notification and Access procedures:** –Individuals seeking to determine whether this system of records contains information about them, or those seeking access to such records, should address inquiries to Chief Privacy Officer, Department of Housing and Urban Development, 451 Seventh Street SW, Room 4156, Washington, DC 20410. (Attention: Capitol View Building, 4<sup>th</sup> Floor) Requestors must provide identity verification by providing two proofs of official identification. Your verification of identity must include your original signature and must be notarized.

**Contesting record procedures:** The Department's rules for contesting the contents of records and appealing initial denials, by the individual concerned, appear in 24 CFR §16. If additional information or assistance is needed, it may be obtained by contacting:

- (i) In relation to contesting contents of records, the Privacy Act Officer at the appropriate location;
- (ii) In relation to appeals of initial denials, the HUD Departmental Privacy Appeals Officer, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410.

**Record source categories:** Mortgagors, mortgagees, taxing authorities, insurance companies and Housing counselors. The mortgagors and mortgagees collect the personal information from program participants and enters the information into the HUD the Single Family Computerized Home Underwriting Management System (CHUMs). The HERMIT system interfaces CHUMS for its information.

**Exemption claimed for the system:** None

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